Legislative Assembly of Manitoba

STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

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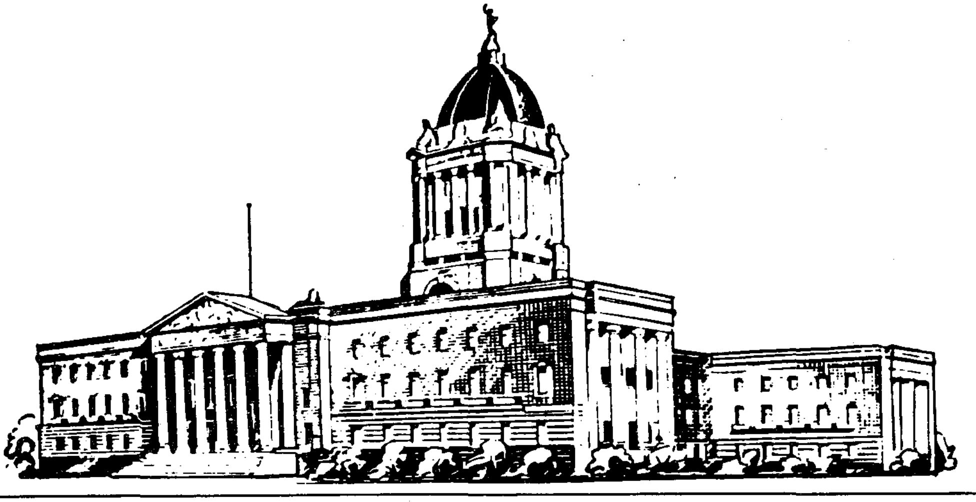
Constituency of Pembina



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Hearing Of The Standing Committee On Economic Development

Tuesday, June 27, 1978

Time: 10:00 a.m.

MANITOBA DEVELOPMENT CORPORATION

SUBSTITUTE CHAIRMAN: Mr. David Blake)Minnedosa)

MR. CHAIRMAN: Gentlemen, now that we have a quorum we'll open the meeting with a statement from Mr. Parsons, or from the Minister on the MDC companies. Am I correct in assuming that we're going to do the MDC companies today?

MR. BANMAN: Yes, we were going through the MDC . . .

MR. CHAIRMAN: You have an opening statement?

MR. BANMAN: No. Mr. Chairman, the MDC report was received. We are going to deal with the companies one by one, and I would ask Mr. Parsons to lead off.

MR. PARSONS: Thank you, Mr. Chairman and the Minister. To start off this morning, if you look on Page 8 of the Manitoba Development report, it lists all the MDC equity investments. I think I'll briefly run through that because there are a many of these that we have disposed of since this Annual Report and therefore I won't be reporting on them.

The first one on the list, William Clare, you have been given statements for 1976 and 1977 which I will review with you. Cybershare Limited has now been disposed of — Dawn Plastics Limited, Dormond Indistries Limited, Electro-knit Fabrics, Evergreen Peat and Fertilizer, Morden Fine Foods, Sheller-Globe, Venture Manitoba Tours — those companies have all been disposed of so I will not be reporting on them.

The first company that I'll be reporting on is William Clare — you've been supplied with 1976 and 1977 statements — this company is still in the development stage and therefore there has been very little activity. In the two years the expenses at this point to the MDC are minimal. Rand McNally are still developing the mathematical module program. They expect to complete that by the end of this year and then royalties will be flowing forward to MDC from that source. It appears that the net revenue available to the company will not be sufficient to repay both MDC loans and accrued interest at the full rates after providing for payment of necessary administration costs. However, Rand McNally do anticipate that there will be fairly substantial royalties coming back and our initial investment will probably be covered — the interest will not.

26 books out of the 40 are now completed. There are 14 remaining and they are in various stages of completion. The latest report we've had is they'll all be completed by the end of this year. They . are also putting out some hard cover copies so there'll be really more than 40 modules when they're all completed. Are there any questions on William Clare?

MR. GREEN: Mr. Chairman, I wonder if the members of the committee could be supplied with copies of these module forms so they could see what has been produced by this company.

MR. PARSONS: We could probably obtain them. We don't have enough to supply the committee at the present time. I did bring down copies for the last two years to look at. I did not bring them over this time. I could bring them so that they could appraise themselves of what we are doing.

MR. GREEN: Mr. Chairman, I would like the chairman of the fund to correct me if I'm wrong, that at the approximately $800,000 level, the Manitoba Development Corporation decided that they could not continue financing this corporation, that they would merely finance the module program, because that was the most economic way of recovering partially or all of the investment on the basis of receiving royalties from what Rand McNally thought was a very, very good program — that everything beyond that figure was based on marketing this product through Rand McNally and recovering royalties.

MR. PARSONS: Yes, that is correct.

MR. GREEN: I may not be exact about the figure, it may have been $600,000 . . .

MR. PARSONS: It was about $800,000, that's correct, with interest. There are still administration funds going in each year. We had allocated those over a year ago and there is still approximately $180,000 left in those funds. There are no staff per se on the payroll, the MDC staff is doing the accounting and monitoring this.

MR. GREEN: Mr. Chairman, I have one further observation, that this was done by a commercially oriented establishment and therefore was operated on the basis that it could recover its investment, or attempt to recover its investment. I wonder whether the Chairman thinks it would be useful to have the Department of Education look at what has happened and evaluate what it would have cost the Government of Manitoba if they had engaged in an experimental research program to produce the same kind of educational aids, if they have been doing it without recovery in a commercial sense, but recovery in an educational value sense. I don't know if you follow my question. I'll try to expand on that.

The Department of Education, yearly, spends money for experimental research. The amounts that are expended are considerable. Over a period of some, well, I would think six or seven years, there has been approximately $2 million spent on developing this program — well, I'm estimating again — a million — which would be the amount less interest, and I think I'm being conservative on the figures — will be recovered in royalties. If it was spent by the Department of Education, there would be no recovery in royalties. I wonder whether there would be some value for the people of the province to know that the educational research aids that have been developed by the MDC, would have had value if developed in the Educational Research Department as against a commercial firm.

MR. PARSONS: We have shown all these modules to our Department of Education here. I don't think at any time we've ever asked them to try to project what it might have cost them. Probably the original idea that came up through William Clare himself, and Mr. Shepherd, on this type of program; it was an idea that they went ahead and developed with many more professors, and of course those professors do not get paid under this program and they probably would under the program such as you're talking about.

MR. GREEN: That's right.

MR. PARSONS: I don't know that there is any way that we could tell them the number of man hours that each professor has put into this program, because they have been doing it on a part-time basis over the last 5 years.

MR. GREEN: It's my impression, Mr. Parsons, that this expenditure which did not work out as the Board of Directors wanted it to, but yet will result in this province, in having made, I believe, a significant stride in educational research, would have cost more than what was spent through the Manitoba Development Corporation, if it had been done in the Department of Education.

MR. PARSONS: You may be quite right. I don't know whether by us giving them a finished product, that they could go back and really say how much time it would have taken to think it up. I mean, that's the biggest part of the program is the development, and when you show somebody a finished product, it looks easy, but it was the idea in putting it all together that takes the time. I don't know anybody in the Department of Education who could say, well, we could have done this faster than they did, or whether they could even estimate the amount of time that it would take to think up the ideas that went into this program.

I don't know that your suggestion is too meaningful cost-wise, because I don't think they could give us an answer. What you are saying is correct, that it's a good educational tool that's been developed. Rand-McNally are still estimating that we'll get 3-½ million back in royalties over the next 12 years, which would more than cover our investment; it won't cover the investment plus all the interest. There would be a slight loss, but I don't know that the Department of Education could give us a good figure, or if they would even try.

MR. GREEN: But we do know that the Department of Education, over the same period, between 1971 and 1978, and I am now merely making a confident estimate, has spent considerably more on educational research than has been spent with regards to this program, and I do not know whether they can produce the kind of educational aid that will result in $3.5 million worth of royalties coming back to the Province of Manitoba.

MR. PARSONS: I can't comment on that either. I don't know.

MR. GREEN: Am I correct, Mr. Parsons, that Rand McNally, which is a very reputable and very well known, educational publishing house in the United States, considered this to be an excellent program.

MR. PARSONS: Yes, they did, or they would never have undertaken it. They were putting considerable amount of money in this as well, and their only disappointment, such as ours, is it's taken so long for the professors to complete the modules before they can actually get it out into the marketplace, but they certainly thought it was an excellent program. We've met with them on many occasions and they would never have undertaken it as business people if they didn't think it was good.

MR. GREEN: And each of the modules which I saw, is clearly indicated to have been developed in the province of Manitoba through the aegis of the Manitoba Development Corporation, and those educational aids will be marketed throughout North America as being something that was created in the Province of Manitoba.

MR. PARSONS: Yes, they're all so marked.

MR. GREEN: To your knowledge, has there been any other product produced in Manitoba that has received such significant exposure through Rand McNally in the North American market?

MR. PARSONS: No, not through Rand McNally.

MR. GREEN: Through any publishing house that you are aware of?

MR. PARSONS: No, not that I'm aware of.

MR. GREEN: And Rand McNally fully expects, or has given you reason to believe that over 12 years, the people of this province will recover $3.5 million in royalties from that program.

MR. PARSONS: Yes, that was their original estimate, and they're still standing with that.

MR. GREEN: Thank you very much.

MR. PARSONS: If there are no further questions on William Clare, I could carry on to the next operating company that we have, and that's Flyer Industries. You have before you the statement for the year ended 31st December 1977. This is a transit bus manufacturer. I might report that the year 1978 will probably not be as good because of the lack of orders. We are operating the company at three buses per week and we have enough orders on hand to carry through until the end of December. The backlog of old orders have now totally been eliminated; we produced all the buses on schedule; there were no penalty clauses that we had to meet; the company is now employing about 250 to 260 people at the present time and that staff will certainly not decrease; we may be doing some hiring in the engineering side of the company in the next short period of time.

The financial statements for 31st December 1977 showed an operating profit for the year of $1,224,239.00. I think the statements are well laid out. If the members have any questions regarding Flyer I'd be pleased to try to provide the answers.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, with the $1.2 million, operating at a profit for the year ending 1977, it would mean that you have been in the black three years running: the end of 1975, about $45,000 . . .

MR. PARSONS: The end of 1975?

MR. GREEN: Yes. About $45,000. End of 1976, $4.8 million. End of 1977, $1.2 million. Is that correct?

MR. PARSONS: Yes, I'm not sure about your 1975 because I don't have that in front of me, but that's close, yes.

MR. GREEN: But they were in the black three years running. You've indicated that the 1977 figure, or this year, will not be as good. Do you know whether you'll be slightly in the black, slightly in the red, or . . .

MR. PARSONS: No, we'll definitely be in the red in 1978.

MR. GREEN: You will be in the red in 1978.

MR. PARSONS: Definitely, yes.

MR. GREEN: How many buses will you have produced in 1978?

MR. PARSON: We anticipate about 170.

MR. GREEN: 170. I think at one time the Board said that if things proceed as they are that you would have approximately a $3 million loss on a sale of 200 buses every year. Is that still the projection of the Board?

MR. PARSONS: No.

MR. GREEN: At 200 buses could you make it go now?

MR. PARSONS: 200 buses? No. We would not make a profit. We would probably need in the area of 250 to 300 to reach the break-even, probably 250 to 300 would give us a break-even point.

MR. GREEN: 250 to 300.

MR. PARSONS: At a rate of 170 I anticipate we'll have a loss in the area of $1 million.

MR. GREEN: Of a million?

MR. PARSONS: Yes.

MR. GREEN: But that's a considerably — that is much improved to the previous projection. The previous projection was given as an ultimate pessimistic projection.

MR. PARSONS: Yes, it was. It was the ultimate. At the time that we gave that — at the time that that figure, and I don't really think that we gave it — we had people look at it that came up — and that was the ultimate loss that we could expect, but at that particular point neither they nor ourselves knew how far we could cut back and remain efficient. We're getting much better productivity and we have streamlined the operation so that that $3 million now looks like about $1 million.

MR. GREEN: Well, if it's a million at 770 buses, it would be somewhat less than $1 million at 200 buses.

MR. PARSONS: Yes. I was trying to give you a break-even when I said that it was in the range between 250 and 300 for a break-even.

MR. GREEN: But at 200 buses the losses would be less than a million.

MR. PARSONS: That's correct.

MR. GREEN: That's a considerable improvement over the previous projection.

MR. PARSONS: Yes, and I hope we can continue to improve it.

MR. GREEN: And is there also — the 200 bus figure was based on the Canadian market alone. No, excuse me, it was based on 150 diesel buses on the Canadian market and perhaps 50 trolleys on the American market.

MR. PARSONS: I don't know what 200 figure you're speaking about.

MR. GREEN: 200 buses per year.

MR. PARSONS: The 200 buses are the Canadian market only.

MR. GREEN: The Canadian market only.

MR. PARSONS: Yes, we estimated that we should probably get 35 to 40 percent of the Canadian market at that particular time, looking somewhere between 500 and 600. It is considerably less than that this last two years.

MR. GREEN: So then we've got a better percentage of it. If you get 170 out of less than 500 then your percentage of the Canadian market is improved.

MR. PARSONS: Well, there might be a slight improvement.

MR. GREEN: And is there now more possibilities on the American market than what was considered at that time?

MR. PARSONS: We are looking at the American market in the smaller bus sizes. The prospects for more trolley buses in the States hasn't improved. We can enter the United States market. We are taking a serious look at it.

MR. GREEN: And that wasn't included when the estimate of $3 million losses a year?

MR. PARSONS: No. We did not anticipate any business in the United States but we are now looking to that direction.

MR. GREEN: So then one would say that the projections for the company has improved considerably by the following facts: 1. that at 200 buses your loss would be not $3 million but less than a million.

MR. PARSONS: Yes.

MR. GREEN: And that the American market which was previously not considered is a possibility for some buses.

MR. PARSONS: That's correct.

MR. GREEN: Would it also be correct to say, Mr.Parsons, that anybody who happened to get this business at a very favourable purchase price would have a considerable advantage of the experience that the public has put into that company for seven years?

MR. PARSONS: Well, certainly. The staff we have there now is well-trained and the product is well accepted, much better than it was even three or four years ago, and every day it's improving so in that regard there's certainly been a good input.

MR. GREEN: Would you say that the saleability and the acceptance of the product has in some way been contributed to by the fact that the product has not been slandered by the newspapers over the past year as it was previously, which the Board had a problem with.

MR. PARSONS: Yes, we did, an fortunately we have been able to stay away from publicity in the newspapers that was certainly harmful to us before. As a matter of fact we've had some good publicity in them.

MR. GREEN: That would be contributed to by the fact that people in the opposition are not the buses.

MR. STEEN: They are riding them instead.

MR. GREEN: It is a fact. What you're telling me is that the adverse publicity did affect the sale of the buses and that the favourable publicity in the last little while has helped your marketability.

MR. PARSONS: Certainly.

MR. GREEN: That's not unusual for a commercial company.

MR. PARSONS: Not at all.

MR. GREEN: Did it help, for instance, the company, when the Winnipeg Free Press wrote an editorial urging the City of Winnipeg not to buy Flyer buses?

MR. PARSONS: No, it certainly did not.

MR. GREEN: Or when the City of Winnipeg wrote an editorial saying the that the Flyer buses were inferior buses?

MR. PARSONS: Well, that was an incorrect statement in the first place. No, that type of publicity certainly didn't help us.

MR. GREEN: But is was incorrect.

MR. PARSONS: Hopefully we're over that stage.

MR. GREEN: Well, you shouldn't count on that because I suggest to you that if the government changes, that the newspapers and the opposition will again start to slander the buses, so don't think that you're over the hill.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Mr. Parsons, following along the same questions that Mr. Green had, did you say that the Canadian market was approximately 500 to 600 a year?

MR. PARSONS: That' two s what we estimated. It hasn't been that high in the last three to years.

MR. GREEN: That's not including Quebec.

MR. PARSONS: No, that is correct.

MR. GREEN: Because we can't sell our buses in Quebec.

MR. STEEN: That is 100 percent municipal public transit market, or is there any private bus lines that we can appeal to?

MR. PARSONS: No, we just build the municipal buses.

MR. STEEN: Build the municipal urban bus.

MR. PARSONS: Yes, we don't build an intercity bus.

MR. STEEN: Of the cities that we have been successful in dealing with in the past who have purchased buses, that are now 2 and 3 and 4 years old, what is the repeat order business like with these cities? Are buses standing up and are they satisfied customers, that we're usually able to go back to those same original purchasers and do well with second and third orders?

MR. PARSONS: Yes, we have. We have done so with the City of Toronto and Hamilton.

MR. STEEN: Mr. Green mentioned that it was what, 35 percent last year, the figure he used that we were getting of the Canadian market?

MR. PARSONS: I used that figure. That's what we estimated that we should be able to capture.

MR. STEEN: Who has the remaining bus business? Is it all GM?

MR. PARSONS: It's all GM, yes.

MR. STEEN: So when we try and sell across the line in United States, how do we fare down there? Are we able to get in some cities percentages of 30, 35 percent of their business?

MR. PARSONS: No, we haven't gone into the market down there as yet.

MR. GREEN: In trolleys, we get more.

MR. PARSONS: Mr. Steen, the only product that we have sold in the United States up till now, is the trolley buses.

MR. STEEN: Is the trolleys.

MR. PARSONS: Yes.

MR. GREEN: We get 100 percent of that.

MR. STEEN: And are the trolleys. . .

MR. PARSONS: Pardon me, I shouldn't let that statement go by. AM General got the order for Philadelphia and Seattle; they haven't built them yet, but they did. . .

MR. GREEN: We didn't bid on that one, did we?

MR. PARSONS: No, we did not.

MR. STEEN: Are cities that are currently in the trolley bus field, are they staying in the trolley field, or are they like the City of Winnipeg some years ago and winding out of the trolley and going to the diesel and gas?

MR. PARSONS: No, they are staying in, and if anything, they will probably be expanding that.

MR. STEEN: Expanding that, so there is a bright future then from that aspect, the trolley aspect, in the United States?

MR. PARSONS: Well, I don't know about a bright future. I think the five cities that have them now have indicated that they will be keeping them and probably expanding them. But for new properties to go into the trolley buses is very, very expensive. The bus itself is a very small portion of the dollars needed to set up a transit system, a trolley transit system.

MR. STEEN: In the Canadian market, where are we doing our best, here in the west, or are we starting to break into Ontario fairly well, and what about the Maritimes?

MR. PARSONS: We have always had some business in Ontario, with Toronto and Hamilton, and Kitchener. We have one order that I think will be accepted in Newfoundland, probably this month. We haven't been that successful in the Maritimes in the past because of transportation, and it's also a very small market.

MR. STEEN: My final question at this time would be is, did I hear you correctly saying you are producing approximately three buses per week?

MR. PARSONS: Yes.

MR. STEEN: What is our plant capacity? What could we produce if the orders were there?

MR. PARSONS: Well, we have produced 10 per week. We produced 480 buses in 1976.

MR. STEEN: So the capacity is there that we could . . . if the orders were there, the capacity is there.

MR. PARSONS: Oh yes. We could probably go beyond the 480, but that was our target and that's what we set, and that's what we did. Now, there was no need for us to look to see if we could put in a third line to up that. At the time that we were operating at 10 a week, management thought that they could probably be doing 15. Remember that 10 a week was on single shift, so when you're talking about plant capacity, Mr. Steen, we probably could have gone higher than that but there was no need to, and there certainly isn't today, because there isn't a market.

MR. STEEN: When you mentioned earlier that transportation is one of our problems in dealing with the Maritimes, getting the buses to them, how do we fare with prairie cities right out to Vancouver? Are we getting more than 35 percent of their future orders and their current orders, or are we just getting 35 from those particular cities?

MR. PARSONS: No, I don't think in the last two or three years we've got our 35 percent.

MR. STEEN: Was there a particular reason why we haven't been?

MR. PARSONS: Yes, there was a reason, because for 18 months we couldn't bid on a lot of those properties, because we had all those United States trolley buses with heavy penalty clauses, so for one year, we were almost out of the urban diesel bus market, because we were plugged up with orders, so when we dropped out of that, it was very difficult to get back in, but we are doing that now.

MR. STEEN: Mr. Green mentioned that we don't sell to Quebec, or Quebec will not buy from us. Have we ever done any business with Quebec? Is this something that happened on November 15th, 1976, or. . .

MR. PARSONS: No, it's always been that way. Quebec will not buy unless you have an assembly plant there. As a matter of fact, General Motors have now got their Quebec business for the next four years consisting of 1,200 buses, and the only way they got that is because they moved their bus manufacturing from London, closed their plant there and moved it to Quebec.

MR. STEEN: Is that GM's only Canadian plant, the one that left London and went to Quebec?

MR. PARSONS: The only bus plant?

MR. STEEN: Yes.

MR. PARSONS: Yes.

MR. STEEN: So therefore, they would be in an advantageous position transportation-wise for looking after the Maritimes, where we are not, but we are in competing with other prairie cities then.

MR. PARSONS: That's correct.

MR. STEEN: And is there a greater potential market in the prairies than in western Ontario, than in the Province of Quebec and the Maritimes?

MR. PARSONS: There is a larger demand, yes, but they do have a solid base of 300 buses per year that they have already got the order for, for the next four years, and they will no doubt get some of the Ontario and some of the western Canadian business.

MR. STEEN: That's fine.

MR. GREEN: Mr. Chairman, with regard to Quebec, my impression is that, as long as it is relevant, Quebec required its municipalities, etc., to purchase buses that were produced in Quebec.

MR. PARSONS: That's right. . .

MR. GREEN: That had to happen under a Liberal administration, and it continues under a Partie Quebecois administration.

MR. PARSONS: Yes, that's been in effect for many years.

MR. GREEN: And it's my impression that it happened under a Union Nationale administration. It's happened, in any event, since you people have been selling buses. $

MR. PARSONS: We've never been able to compete in the Quebec market, that is correct.

MR. GREEN: It's also my impression that one of the Crown owned companies, Sheller-Globe, that was 10 percent Crown owned, was not able to get a contract because we were underbid by a company in Ontario, or was it Quebec? Last year, I believe that we were underbid, Sheller-Globe was underbid by a company from Ontario, and they got the order.

MR. PARSONS: That's right, that was Bluebird.

MR. GREEN: So we did not force the Department of Education to buy Sheller-Globe buses even though it's here, and that we were a shareholder.

MR. PARSONS: That is correct.

MR. CHAIAN: No further questions on Flyer Industries?

MR. GREEN: Mr. Chairman, I did have another question, and now it escapes me.

MR. PARSONS: You were talking about Sheller-Globe?

MR. GREEN: No, I'll deal with Sheller-Globe at. . .

MR. PARSONS: If there are no further questions on Flyer we'll move on.

The next one is the Tantalum Mining Corporation. It operates the Tantalum Mine at Bernic Lake. The 31st December 1977 statements have been provided to the committee. The mine has been running without shutdown through 1978 up to date and is producing pretty well on budget. There have been no further mineral finds to add to our reserves, so our projections that the Tantalum end of the mine will wind down approximately 1981, 1982, is still in effect.

There are 94 people employed at the mine with an annual payroll of about $1.5 million. We are continuing in the studies of lithium, we have a project plant at Boyertown to develop the lithium carbonate process, we hoped to have that experimental plant pretty well completed by the end of 1977. However, when our cost figures on our plant came forward they were much higher than we expected and we have sent the various chemists and so on back to the pilot plant and they are revising certain processing in that plant, hopefully to be able to reduce our processing costs.

It was estimated, when we had the report at the end of December of 1977 that it would require somewhere between $35 million and $40 million in capital input to put the lithium carbonate chemical plant on stream, develop the mine to provide the ore for that plant and for operating capital. We hope that that can be reduced somewhat, the results will probably be known this fall on the new type of processing that they are developing, and we should know what our cost reductions are at that point.

Since this statement was issued, International Chemalloy, which is in receivership, Clarkson Gordon, Mr. David Richardson is the receiver, have offered 50.01 of their shares for sale. The highest bid came from Hudson Bay Mining and Smelting. Hudson Bay Mining and Smelting then agreed to share equally with KBI so that they will both own 37 ½ percent of the shares and we will retain our 25 percent. That application is now before the Foreign Investment Review Agency, and hopefully they will have the results of that by the end of July.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman,I note that you say that Hudson Bay Mining has made an arrangement with Kawecki Berylco where they can pick up half, excuse me . . . to share one-third of what they are able to purchase with Kawecki Berylco so that Kawecki Berylco could be an equal partner. Was it available for the Province of Manitoba to share also that amount so that we could each own one-third, Kawecki, Hudson Bay, and the Development Corporation?

MR. PARSONS: Yes, we had the option. We did not exercise it.

MR. GREEN: Well, if we had the option, we could have picked up the entire 50 percent.

MR. PARSONS: That's correct. We could have also shared . . .

MR. GREEN: Could we have also shared with Kawecki Berylco and Hudson Bay so that we would each own one-third?

MR. PARSONS: They offered that to us.

MR. GREEN: And we rejected that?

MR. PARSONS: Yes, we did.

MR. GREEN: Was that rejected on a commercial basis, or was it rejected on a basis of government policy?

MR. PARSONS: It was government policy.

MR. GREEN: So it was government policy which caused the rejection, whereby we could have shared a third and a third and a third.

MR. PARSONS: Yes, it was government policy that we retain the 25 percent but we did not have the funds, nor was it government policy to invest any further moneys.

MR. GREEN: So can I take it that this is not a commercial decision on the part of MDC, that it was government policy that we not invest any further in that kind of enterprise, and as a matter of fact, the board, I presume, in also thinking through government policy, was willing to give up the 25 percent.

MR. PARSONS: Yes, it was government policy. The MDC board did not look, or did not have to look as to whether it would have been prudent to invest further.

MR. GREEN: And did not look.

MR. PARSONS: That's correct.

MR. GREEN: So we don't have the advice of our people who are on the board as to whether it would have been a prudent investment to either take 50 percent or take one-third, or to have anything other than the 25 percent?

MR. PARSONS: The board did not examine that.

MR. GREEN: Mr. Parsons, the income of the mine, the profit on the mine for the year ending 1977 was $554,000.00.

MR. PARSONS: That is correct.

MR. GREEN: My impression is that as the availa bility of tantalum goes down, the price will go up, and I . . .

MR. PARSONS: It has been doing that the last three years, yes, and there's every indication it might go up higher still.

MR. GREEN: For instance, when we went into the mine, tantalum dropped to something like $7.00 a ton, is that it?

MR. PARSONS: $7.00 a pound.

MR. GREEN: $7.00 a pound There's quite a difference. $7.00 a pound. When I last took some interest in it, it was about $14.00 a pound.

MR. PARSONS: Our contracts are for $24.00 today.

MR. GREEN: It is now $24.00 a pound.

MR. PARSONS: And there's every indication it might be $30.00 by next year.

MR. GREEN: So that this profit figure of $554,000, on the basis of exactly the same operation, would quite likely more than double because we aie now talking about dollars without increased costs. As the price goes up, the profit would go up, not proportionately, but expedientally.

MR. PARSONS: A very good word.

MR. GREEN: Very good word? So we could be looking at, in the next five years, on the basis of those type of profit figures, several millions of dollars.

MR. PARSONS: If it only remained even at the projections and we used roughly $24.00 when we were projecting because we didn't know whether it would continue to go up and I don't know whether it will continue to stay up.

MR. GREEN: Right.

MR. PARSONS: You see, as the price gets higher, there are substitutes that could be usdd. So it just can't keep on going. We projected it through to 1981 and even at these higher prices, it probably wouldn't get out more than $8 million to $9 million, in total 100 percent, so if you put all our values together, Hudson's Bay paid 6 ½ or 50 percent. But really, if you just look at it as a Tantalum mine, it probably would not have been worth $13 million.

MR. GREEN: Yes, but we are then saying that after you get this $9 million out over the years, which I suggest is a conservative projection, and I don't mean a political conservative projection, that that values the other availabilities of the mine, namely cesium and lithium, would all be a plus after that.

MR. PARSONS: There's certainly going to be a plus, but there is also a tremendous investment in order to market it.

MR. GREEN: I certainly appreciate the fact that in order for money to be made, money has to be invested, but the Hudson's Bay Company and Kawecki Berylco and the Fund would at that stage have the opportunity of making an investment and receiving a return from a lithium mine in the Province of Manitoba.

MR. PARSONS: Yes.

MR. GREEN: Now, this 554,000 which is shown as a profit, that doesn't take into account production and development expenditures amortized and depreciation, both of which are designed to repay the original investment of $6 million. .

MR. PARSONS: All right, that's to recover the original.

MR. GREEN: That's right. So that in terms of what the province is getting back, because it was suggested that we have received no return on our investment, every year there has been put away money to recover the original investment.

MR. PARSONS: Well, it has been put away on a statement; we actually don't have it in cash.

MR. GREEN: I understand, but it has been reserved for us. What it means theoretically, Mr. Parsons, is that if you amortized everything to zero and then picked up the assets for what they are on the books, everybody would get back the amount that has been reserved for depreciation and for the amortization of pre-production and development expenses.

MR. PARSONS: In theory, correct.

MR. GREEN: That's right. So that actually, the province has recovered $554,000 in profit, plus — excuse me, one-quarter of that, in profit — and also another $700,000, or one-quarter of that, in an amortization and a reserve for the moneys that it originally invested of $1.5 million.

MR. PARSONS: Yes.

MR. GREEN: So the recovery to the province would be not one-quarter of 554,000, but one-quarter of $1.2 million. Is that correct?

MR. PARSONS: One-quarter of the cash flow, yes.

MR. GREEN: And that, of course, has occurred every year.

MR. PARSONS: I beg your pardon.

MR. GREEN: There hasn't been a profit every year, but the pre-production costs and the depreciation have been put into the statement every year.

MR. PARSONS: That's right. There has been a positive cash flow but we haven't shown a profit up until this year.

MR. GREEN: As a matter of fact, since putting up $1,500,000 in 1972, the province has not had to add any investment to that mine and has also had a depreciation allowance and pre-production reserve to cover its $1.5 million.

MR. PARSONS: Yes. The mine has been able to operate on its cash flow. We have not . . .

MR. GREEN: Mr. Parsons, on a straight commercial basis, do you consider this to be a good investment?

MR. PARSONS: Yes, it has been a good investment.

MR. GREEN: This has been a very good investment for the Province of Manitoba — well, I used "very" . . .

MR. PARSONS: I would say very good because it kept the mine open. If we hadn't done it at the time, the mine would have shut down. There are other benefits, of course, to the province that don't show in the statement.

MR. GREEN: There has been a statement made by some irresponsible MLA to the effect that Hudson's Bay will lose out, after having made a success of the mine. The fact is that in 1972, the mine was going down and it is the public who made a success of the mine and it is the Hudson's Bay who is climbing in as a freeloader. Hudson's Bay had a right to invest in that mine in 1972, but nobody, no private firm was — at least Chemalloy couldn't find anybody to invest in it. Isn't that correct? When they came to the Fund, you were there?

MR. PARSONS: Yes.

MR. GREEN: Were they able to get money from any other source, to your knowledge?

MR. PARSONS: Well, I think the reason we were able to go in was because we straightened out all the legal entanglements. I don't know whether a private investor could have ever done that.

MR. GREEN: So it's we who made a success of the mine and the Hudson's Bay who are coming in as a freeloader?

MR. PARSONS: I would hardly class 6 ½ million as a freeloader but . . .

MR. GREEN: On the basis of $9 million recovery, on conservative figures, plus the cesium and the lithium which are there, at least they are coming in on our success where they didn't come in in 1972.

MR. PARSONS: All right, they are coming in at this point because it has been offered for sale to them, but I think that the figure that they paid was a very fair figure. I don't think that . . .

MR. GREEN: A fair price, and if we pay them back the same figure, plus their interest, we will be paying them a fair price.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: First of all, what is the MDC's investment in this particular venture?

MR. PARSONS: $1.5 million.

MR. BANMAN: You have not added any interest to the cost of that money on there though, have you?

MR. PARSONS: No, we have not.

MR. BANMAN: At a rate of 10 percent interest, what would our actual investment be at this date, from 1972 until now.

MR. PARSONS: 2.6.

MR. BANMAN: 2.6 million?

MR. PARSONS: Something in that area.

MR. GREEN: We were offered 3.2.

MR. PARSONS: Well, in five years.

MR. GREEN: Yes. You were offered 3.2.

MR. PARSONS: That's right.

MR. GREEN: That's good business?

MR. PARSONS: That's right.

MR. BANMAN: So with the price paid for the 50 percent by Hudson's Bay Mining and Smelting and the projected revenue from Tantalum, now, let's use the word "liberal" projection, there was no way that we were going to recoup what our investment and interest was in that period of time. In other words, what we are doing in the province is we are taking a gamble that somewhere along the line, some of the other exotic metals such as cesium and some other metals are going to go. Isn't that correct?

MR. PARSONS: Yes, as I stated, if we had just counted the Tantalum and projected it to 1981, the mine would have probably been worth somewhere in the area of $9 million and we would have owned 25 percent, so we would get all our money plus a portion of our interest at that point, certainly not all of it, if you just did it on the Tantalum.

MR. BANMAN: But at present we are now gambling that the cesium or some other exotic metals that are there right now will be worth something by 1981 or will be marketable.

MR. PARSONS: Basically it's a lithium mine. There's a 30 to 40-year reserve of lithium there. The cesium is there all right but it has always been a doubtful market. It's been used in experimenting; it's on the restricted list now, we can't sell it to Russia.

MR. BANMAN: Right.

MR. PARSONS: That cut off one of our sources.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I question your figures. You said there would be $9 million in profit over the next five years.

MR. PARSONS: A fast guess, right.

MR. GREEN: Using these figures.

MR. PARSONS: I said the value of the mine would probably be in the area of $9 million by 1981.

MR. GREEN: In addition to that, your reserves would have amortized $6.5 million.

MR. PARSONS: They will be all gone. But then, what are you going to sell it for at that particular point. You are looking at scrap value of that onto the top of the $9 million?

MR. GREEN: But the $9 million is profit that you would have.

MR. PARSONS: Right.

MR. GREEN: In addition to that, will you not have taken out of the operation 6.5 million in reserves, which is being taken away every year for the purpose of paying off the previous expenses?

MR. PARSONS: In theory, the depreciation amortization is cash.

MR. GREEN: That's right.

MR. PARSONS: But we have used it each and every year. We do not take that and put it in the bank, aside. We have used in other . . .

MR. GREEN: You have used it but it will be, if you make $9 million in profit and add these moneys to reserve, then somewhere that reserve will have been put away, and therefore there will be an additional $6 million, which will mean that you will get one-quarter, yes, your cash in the bank will increase by the amount that you take the reserves off the operating expenses. It would be some place.

MR. PARSONS: All right. If we put it in the bank and left it there, right, that would be what happens.

MR. GREEN: So we're talking $15 million and we're talking about one-quarter of that, which would be roughly $4 million, which will be your total expense, total investment plus interest.

MR. PARSONS: Yes. In 1981.

MR. GREEN: That's right. That's all I'm saying.

MR. PARSONS: But that wouldn't . . .

MR. GREEN: Plus whatever is left there.

MR. PARSONS: All right. But the 1.5 projected from 1972 to 1981, at ten percent, you wouldn't make that great a profit. But you would make a profit.

MR. GREEN: Well, a few moments ago we had it not making the investment plus interest. Now we have it making the investment, plus interest, plus some. Because $1.5 million over ten years at ten percent would not be $4 million, it would be some place between $3 million and $4 million. Plus the fact that we've kept that mine going.

MR. CHAIRMAN: Any further questions of Mr. Parsons on Tantalum Mining Corporation of Canada Limited?

MR. GREEN: A good investment. Don't sell.

MR. CHAIRMAN: Thank you very much. I believe the next agenda for the committee is the Mining and Resources.

MR. GREEN: Mr. Chairman, I want to ask a question about Sheller-Globe. Perhaps I have missed it, perhaps Information Services was not on the ball. Was there an announcement when we sold the ten percent of Sheller-Globe.

MR. PARSONS: Yes, we announced that we sold it for $50,000.00. That was our original investment.

MR. GREEN: Our original investment. So we didn't make any interest on it.

MR. PARSONS: No.

MR. GREEN: But it was announced. When was that announced, Mr. Parsons? Approximately, do you know?

MR. PARSONS: About February.

MR. GREEN: Now, with regard to Sheller-Globe, it was operating every year and because of the particular nature of our partner which we considered when we went into it, it was able to provide its own market, more or less, and force feed, but it was showing a profit every year.

MR. PARSONS: Yes, it showed a profit. If you really analyzed their statement, there was one thing that they didn't put in, that was any head office charge or any interest charged on the money that they put in there, so really you had to . . . Certainly it showed a profit. Sheller-Globe (Manitoba) Limited showed a profit in their statement but there were not any head office charges so it could have offset that. When I negotiated the selling price we had to take a look at that.

MR. GREEN: I understand they would be certainly trying to minimize their statement when they are talking about paying you out. They're not going to be . . .

MR. PARSONS: Well, you saw the statements before. There was never any great amount of profit.

MR. GREEN: No, no. The ten percent shareholding in Sheller-Globe, didn't that give the province the right to appoint a director and stay abreast of what was happening in that company?

MR. PARSONS: Yes, we had a director on their board and also got annual statements from them.

MR. GREEN: So the public, with its ten percent interest, was able to stay abreast of a company that it previously owned and that was operating in the province of Manitoba, and it was not costing us any additional money.

MR. PARSONS: No, it wasn't costing us any additional, but when you're a ten percent shareholder, the 90 percent shareholder can certainly make the moves that you might never get any dividends out of.

MR. GREEN: I presume that we're dealing with honourable people who want to see all their shareholders . . .

MR. PARSONS: Well, you're dealing with good businessmen.

MR. GREEN: That's right. . . . looked after. Well, good businessmen, as I hear it from the Conservative administration, are people who always want to be fair. So we won't say that they are going to cheat their minority partner. What we were able to do is have a member on their board of directors and stay abreast of what was occurring.

MR. PARSONS: Yes.

MR. GREEN: We don't have that right anymore.

MR. PARSONS: No.

MR. GREEN: Thank you.

MR. CHAIRMAN: Thank you Mr. Green. Thank you, Mr. Parsons. I would now call hhe gentlemen who are here from Manitoba Mineral Resources Limited, if they would come forward, we'll deal with that operation. Do you have sufficient copies of the statement with you? Fine. If the Clerk will pass those statements around, please.

Mr. Wright, if you would provide us with your opening statement and then we'll carry on with the questioning.

MR. C. MALCOLM WRIGHT: Mr. Chairman, Mr. Koffman has asked me to pass on to you his regrets that he cannot be here today. Mr. Koffman, who has both informed, and from time to time indelibly entertained the committee at these annual meetings for the past five years . . .

MR. GREEN: You have to do it now.

MR. WRIGHT: Yes. As Mr. Green pointed out, he is recuperating from open heart surgery and he is on the road to recovery..

A perennial problem in discussing Manitoba Mineral Resources' annual report in the committee has been that we are dealing with material written a year ago, and in some instances covering activities that go back almost two years. It reminds me of trying to heat up a cold roast and making it as palatable as when it first came out of the oven. I think perhaps the best way to warm up the roast is to review the highlights of the report before you and update them.

The map at the front of the report which you have before you shows the spread of the company's activities in the year under review. We were involved in 19 mineral exploration projects: five of them are clustered in the vicinity of Churchill and west along the Seal River, eight are in the Flin Flon area, one is in the vicinity of Lynn Lake, and five are on the east side of Lake Winnipeg, close to God's Lake and Island Lake. Of the 19 mineral exploration adventures in which we were involved, eleven were covered by joint venture agreements with the private sector, six were covered by joint venture agreements with the province, while two were wholly owned. In total, the company participated in $1,627,052 worth of mineral exploration, at a net cost to it of $767,399, which is a leverage of a little better than one-to-one.

The balance of the money was made up of $375,667 from the private sector and $483,986 from the Department of Mines. The $375,667 contributed on a voluntary basis by the private sector brings the total contributions by the private sector to $1.7 million since the company's inception in 1971.

Reference is made in the report to a copper zinc discovery on the McClarty Lake project 15 miles south of Highway 391, connecting Cranberry Portage with Snow Lake. At the time the report was written, it had only been tested by only four drill holes and a major diamond drilling campaign was planned. The zone has now been intersected by 16 widely spaced holes over a length of 2,400 feet to a vertical depth of 1,500 feet. The drill holes have outlined a deposit containing 4.3 million tons, grading .97 percent copper and 1.5 percent zinc. This tonnage is composed of a low grade northern block which averages 20.2 feet wide over a length of 1,500 feet and contains 3 ½ million tons grading .65 percent copper and 1.83 percent zinc. The higher grade southern block averages 9.5 feet wide over a length of 900 feet and contains 800,000 tons grading 2.38 percent copper. The deposit, as presently known, is not viable. However, a significant improvement in copper prices from their currently depressed levels would improve the deposit's economic prospects and would justify additional diamond drilling aimed at enlarging the tonnage in the copper rich portion of the deposit. In the meantime, we are presently looking for other mineralized zones in the same bed.

We also refer, in the report before you, to a zone of copper zinc mineralization on the Eldon Lake project three miles south-west of Lynn Lake. This project is being managed by Granges Exploration. At the time the report was written, the mineralization had been tested by five diamond drill holes and additional drilling was planned. The zone has now been tested by nine holes over a length of 500 feet to a depth of 500 feet, and the zone averages .58 percent copper and 4.7 percent zinc over an average width of 4.4 feet and the deposit is presently known as too small and too low grade to be viable and exploration of the zone has been suspended.

The map at the front of the report also shows the location of oil projects in which the company was involved in fiscal 1976-77. The company participated in the drilling of eleven oil exploration wells, four of these were with Great Northern Oil, in the extreme south-western corner of the province, and seven were with CDC Oil and Gas north of Virden. All of these wells were dry and have been abandoned. Great Northern and CDC contributed $472,184 to the programs, while Manitoba Mineral contributed $251,934.00.

In the case of the oil exploration, Manitoba Mineral acted as an agent for the Department of Mines, which supplied the company with both Crown lands and the funds. The seven wells diilled by CDC Oil and Gas resulted in the identification of two new targets, which have subsequently been drilled on a 50-50 basis by Sun Oil Company and Manitoba Mineral. Both these wells were dry and have been abandoned.

Under oil and gas exploration in the report, we also state that the five wells jointly owned by Manitoba Mineral and Berry Petroleum in the Pierson area produced 30,000 barrels of oil in fiscal 1976-77 and resulted in an income to the company of $12,759.00. The wells continue in production and supply the company with about the same annual income.

Mr. Chairman, this completes my introductory remarks and I suggest we move on to questions.

MR. CHAIRMAN: Thank you, Mr. Wright. Mr. Green.

MR. GREEN: Mr. Wright, you've indicated that with regard to the McClarty Lake mineralized zone, which you referred to as a discovery, that this could justify more drilling if the price of copper rises significantly.

MR. WRIGHT: That's correct.

MR. GREEN: What is the highest that the price of copper has been?

MR. WRIGHT: About $1.35, $1.40 a pound, and is currently around 60 to 65 cents a pound.

MR. GREEN: At $1.35 are we talking about this being a viable operation?

MR. WRIGHT: I think at that price it would require more drilling, but it has a high prospect of being viable at that. Let me put it this way, Mr. Green, that ten years ago a tonnage and grade of that magnitude would very likely have been viable.

MR. GREEN: They would have mined it ten years ago.

MR. WRIGHT: Likely.

MR. GREEN: So we would then say that this corporation should be congratulated for discovering what may be a possible venture in this province, if copper prices go to where they were.

MR. WRIGHT: We would hope that we could do something with it at those prices.

MR. GREEN: Now I've said $1.35, I would think that you would be also in the ballpark at lower prices than that. $I.35 is double today's price.

MR. WRIGHT: I would think we'd be in the ballpark around $1.00 a pound with it. Predicting copper prices is akin to predicting what a young girl is going to tell you.

MR. GREEN: It's like predicting elections ten years from now. But in any event your company, or I could more properly say, our company, has made a discovery which has the kind of ore which is being mined then in this country.

MR. WRIGHT: It is currently being mined at that grade with a higher tonnage potential.

MR. GREEN: You are also, Mr. Wright, involved at the present time, I believe with the very potential mining venture that Granges has near Flin Flon, Trout Lake, is it? That has been turned over to your company I believe, by the Department of Mines, which had a 50 percent, or close to 50 percent involvement with Granges Exploration. Is that correct?

MR. WRIGHT: That's correct.

MR. GREEN: Is there anything you can tell us about that?

MR. WRIGHT: Yes, Mr. Green, if I may digress just a moment, the discovery of an ore deposit and putting it into production has been likened somewhat to the capture of a porcupine.

MR. GREEN: I understand that.

MR. WRIGHT: You've heard the story before, have you?

MR. GREEN: No, but you can tell it. I get the general idea.

MR. WRIGHT: First off, you talk with people, or read up in the library where the porcupine's natural habitat is and then you mount an expedition and go out in the bush looking for it. You try to find out where he's been snipping away at the bark and where his quills have dropped and where his hole in the ground is. And after you've done that you order in one of these big galvanized wash tubs that we used to get bathed in when we were kids, and then you pick the day. You've got to pick the day, it's got to be 12:00 noon if it's sunny, or a cloudy day so you don't cast a shadow. And he comes out of his hole and you creep up behind him with the tub over your head, throw it down on top of him, then you get on the tub and wonder what the hell you're going to do next. That's where we are with the Granges deposit.

MR. GREEN: That's where you are in Trout Lake.

MR. WRIGHT: Yes, I can give you some limited information at on it at this point in time.

MR. GREEN: All of us are now standing on this wash tub with the porcupine underneath it.

MR. WRIGHT: That's right. We're just trying to decide what to do next.

MR. GREEN: But that's the name of the game, Mr. Wright. In other words, venturesome, aggressive people are prepared to stand on this wash tub and then do something.

MR. WRIGHT: Well, we're not only standing, we are doing something.

MR. GREEN: Okay, you tell us where we are. I'm very much involved,as many of my constituents are. They are really wanting to become venturesome and aggressive and do something about our natural resources in this province.

MR. WRIGHT: Well, they have completed 51 diamond drill holes into the deposit for a total of 33,000 feet roughly and the diamond drilling has outlined two zones, separated by approximately l,000 feet. Each zone contains two or more lenses. The preliminary figures indicate that the grade of the mineralization will be about the same as the Flin Flon ore body.

MR. GREEN: About the same as the Flin Flon.

MR. WRIGHT: About the same. Roughly. The Flin Flon ore body was 2.3 percent copper and 4.3 percent zinc. Those are not firm figures, those are preliminary and approximate.

MR. GREEN: Okay. They could be better or worse.

MR. WRIGHT: Yes. And there will also be minor values in gold and silver. The drilling indicates the deposit is much more complex than was originally thought, and the drill indicated reserve may be sufficient to support a modest operation in the 800 to 1,000 ton per day range. The engineering and metallurgical and feasibility studies are presently underway, as are negotiations with Hudson Bay Mining and Smelting with regard to the treatment of the ore. Now, these studies should be completed sometime about the mid-fall, and at that time a crunch decision will have to be made whether to go underground or to shelve the project, awaiting better copper prices.

MR. GREEN: 800 to 1,000 tons per day is what you're looking at the piesent time. You are looking at a mine. I mean, we are not now talking about a mineralized zone. We are talking about a mine, that that deposit will eventually, if not soon, be a mine in the province of Manitoba.

MR. WRIGHT: That is correct.

MR. GREEN: A mine which you could sell right now, if you wanted to, which I'm afraid the Conservatives are going to do. But we have this 50 percent interest in what is very very likely a mine. Is that correct?

MR. WRIGHT: That's correct.

MR. GREEN: 800 to 1,000 tons a day. How does that compare with what was mined by Falconbridge in Clarke Lake. They were mining nickel.

MR. WRIGHT: I don't know that operation.

MR. GREEN: Can you compare it with anything that's happening in Manitoba?

MR. WRIGHT: Yes, this would be comparable to the Centennial Mine and the Anderson Mine, the Stall Lake mine type operation. It's a modestly sized mine, it's doubtful that you could, in today's capital cost, enter it for smaller sized mine today.

MR. GREEN: So you'd have to put it on the shelf until the copper prices were such that caused you to go ahead and mine it.

MR. WRIGHT: I understand that at current copper prices the deposit is now viable, just.

MR. GREEN: But if we are patient and the prices change, then it would be more than viable.

MR. WRIGHT: Yes, and the prices are depressed at this point in time to rock bottom.

MR. GREEN: But we are viable today at today's depressed prices.

MR. WRIGHT: The preliminary studies show that that is so, just barely.

MR. GREEN: Have you any idea, Mr. Wright, what anybody would pay for this 50 percent interest at the present time?

MR. WRIGHT: No, nor do I know what I would ask for it. Because we have not gone underground on it, and we don't know enough about it from the surface drilling.

MR. GREEN: If this was discovered solely by Manitoba Mineral Resources, which it wasn't, would it justify the expenditures that you have made in exploration dollars?

MR. WRIGHT: Yes, it would.

MR. GREEN: So you have to be patient, but eventually, if you work hard enough and that's why people are in this industry, there is a chance of not only recovering, but doing very well. Is that correct?

MR. WRIGHT: That's correct.

MR. GREEN: Congratulations.

MR. STEEN: One question to Mr. Wright. Did I hear you correctly say that you had, 61, did you use the figure, 61, you had drilled 61 . . .

MR. WRIGHT: They had drilled 51 diamond drill holes into the mineralized zone. There are another 49 holes on the same property on other targets which came up with nothing.

MR. STEEN: And is this what would be considered the deep drilling?

MR. WRIGHT: This includes all of the drilling on the zone.

MR. STEEN: Like Hudson Bay Mining did up in the Flin Flon area. You go down to the same depths that they do?

MR. WRIGHT: This drilling is down to about the 1,000 foot level and if you were really pushing it, you'd try to go deeper than that but I don't think in this case it's justified. You don't want to put more money into the hole than what you have to before you make a decision to go underground.

MR. STEEN: I see.

MR. CHAIRMAN: Gentlemen, if there are no further questions. . .

MR. GREEN: Mr. Chairman, I have other questions, not on Granges. You have also had turned over to you, as I understand it, which is still thankfully to us and not to somebody else, the interests in the uranium exploration in northern Manitoba. Is that correct?

MR. WRIGHT: There is a residual interest in that uranium exploration. The programs were turned down in between October and the time that we inherited the agreements.

MR. GREEN: We have turned down the uranium program?

MR. WRIGHT: Yes.

MR. GREEN: The Government of Manitoba has turned down the uranium . . .

MR. WRIGHT: The Department of Mining, yes.

MR. GREEN: But we then have some watered down . . .

MR. WRIGHT: That is correct.

MR. GREEN: . . . interests in the uranium program. Can you tell us anything about the uranium program?

MR. WRIGHT: There are a number of targets which have been evolved mainly by United Cisco, they are in a very preliminary stage, and I understand now that they have raised money from Getty Oil to replace the province's interest and are moving in there this summer to test those targets.

MR. GREEN: So what happened is that United Cisco not only did not decide to go it alone, but when the province dropped out, they looked for another party.

MR. WRIGHT: That's correct.

MR. GREEN: That's not unusual in the mining industry. Did you find that when you were involved or that you are involved with United Cisco that they somehow don't like you because you're representing the public?

MR. WRIGHT: No, we were never involved with United Cisco.

MR. GREEN: But you are now, to a watered-down interest extent. Do you find that they avoid you, that they regard you as some type of animal that they don't want to associate with because you represent the public?

MR. WRIGHT: No.

MR. GREEN: And what they did, when you abandoned them, they had to go out and get somebody else.

MR. WRIGHT: That's right.

MR. GREEN: You also have, I believe, turned over to us many other projects in which the province carries an interest as a result of the previous policy. Is there any information that would be of interest in your opinion, with respect to any of those projects?

MR. WRIGHT: Most of those projects are in a very preliminary stage and we are looking at them one by one as they come up with a new program.

MR. GREEN: Good luck to us. Thank you.

MR. CHAIRMAN: Thank you, Mr. Green. Mr. Ransom.

MR. RANSOM: Mr. Chairman, I just wish to draw to the attention of the members, the fact that Mr. Albert Koffman, the President of Manitoba Mineral Resources Limited, had some few weeks ago, undergone some rather heavy surgery, and I just wish to record the best wishes, certainly of myself, and I feel on behalf of the other members of the committee, the best wishes for a speedy recovery.

MR. GREEN: I would think, Mr. Chairman, that we should ask Mr. Ransom to use his hospitality availability to do something for Mr. Koffman on behalf of the committee.

MR. CHAIRMAN: Perhaps he could do that and we could have all members of the committee sign the card. Mr. Kovnats.

MR. KOVNATS: I'd just like to get a little background on the type of operation that we have. Do we hire diamond drilling companies to do our exploration for us, or do we actually operate the whole of the exploration ourselves?

MR. WRIGHT: No, we contract out all of the diamond drilling. I've been involved in wholly-owned diamond drilling companies by mining companies before and it's a financial disaster. They don't have enough work to keep them going 12 months of the year.

MR. KOVNATS: Is it a competitive type of thing, the diamond drilling, or is it just one or two companies in Manitoba, because it seems kind of a unique type of operation in Manitoba.

MR. WRIGHT: It's highly competitive all across Canada and throughout the world.

MR. KOVNATS: Do we have any diamond drilling comp anies in Manitoba?

MR. WRIGHT: Yes, you have two based in Manitoba, Amisk Drilling and Mid-West Drilling.

MR. KOVNATS: What was the first one please?

MR. WRIGHT: Amisk.

MR. CHAIRMAN: Thank you, Mr. Wright. Committee move adoption. Received.
Committee rise.